

# How do paid leave and TANF generosity affect welfare participation and material hardship around a birth?

Marci Ybarra, Alexandra B. Stanczyk, and Yoonsook Ha

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Marci Ybarra is Assistant Professor in the School of Social Service Administration at the University of Chicago. Alexandra B. Stanczyk is Research Associate in the Center on Labor, Human Service, and Population at the Urban Institute. Yoonsook Ha is Assistant Professor of Social Work at Boston University.

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Depending on the state they live in, low-income mothers may have access to a range of supports after the birth of a child. Although all states have a cash assistance program through Temporary Assistance for Needy Families (TANF), some states are more generous than others in terms of eligibility and benefit amount. In addition, four states (California, New Jersey, New York, and Rhode Island) currently offer paid family leave (PFL) programs and five states (California, Hawaii, New Jersey, New York, and Rhode Island) offer temporary disability insurance (TDI) that can be used during pregnancy and recovery from childbirth. Researchers, advocates, and policymakers often prefer some type of paid leave over TANF for low-income families in part because it may reduce state costs, does not carry a stigma, and has wide public support. However, recent research suggests that paid leave programs may actually provide fewer resources to these families than TANF. In the study described here,

Using nationally representative data from the 2000 through 2013 American Community Survey, Alexandra Stanczyk finds that California PFL had little effect on either poverty or household income for mothers of infants (children under age one). However, she also finds that for mothers of slightly older children (one-year-olds), the program did significantly improve economic security, with poverty reductions concentrated among single and less-educated mothers.

The author identifies three shortcomings of the California PFL program that, if addressed, may help improve outcomes for economically disadvantaged women: (1) California's program does not offer job protection; (2) at the time of the study, the wage replacement rate was only 55 percent, with a minimum benefit of \$50; and (3) awareness and take-up of the program has been low, particularly among disadvantaged women, including those with lower income and education, and women of color.

Stanczyk's study is detailed in her 2016 doctoral dissertation, "Paid Family Leave, Household Economic Wellbeing, and Financial Resources around a Birth."

we examine post-birth TANF participation and risk of material hardship (such as families' ability to meet basic needs, including essential expenses, housing, and utilities) among low-income single mothers, while also accounting for a variety of individual- and state-level characteristics including TANF generosity and the availability of paid leave across states and over time.<sup>1</sup>

Understanding how best to support low-income mothers and their babies is important, as access to state-provided paid leave around the time of a birth has been associated with improvements in child health, increases in mothers' labor force attachment after a birth, and decreases in the receipt of public assistance around a birth. Past research on disparities between low-income single mothers and more advantaged families, and on the long-term consequences of early deprivation for children's development, suggests that paid leave may be a particularly useful tool in protecting the most vulnerable families against economic deprivation.

## Paid leave provisions in the United States

The Family and Medical Leave Act (FMLA) of 1993 requires covered employers to provide *unpaid job* protected leave to employees for qualified medical and family reasons. However, because of FMLA eligibility restrictions, only about 60 percent of employees are covered by this protection, with coverage largely concentrated among professional workers.<sup>2</sup>

As noted, to supplement the FMLA, individual states can elect to provide mothers with newborns paid leave through a PFL program and through TDI. State PFL programs provide wage replacement during time off from work to care for and bond with a newly born, adopted, or fostered child. The first state to implement a PFL program in the United States was California, in 2004, followed by New Jersey in 2009, Rhode Island in 2014, and most recently New York in 2018. Washington, DC, and Washington State have both adopted PFL programs, to be implemented in 2020. PFL programs are associated with longer work leaves by new mothers and greater job continuity.<sup>3</sup> There is also evidence of modest wage increases over time among mothers who use PFL.<sup>4</sup> However, as Alexandra Stanczyk finds in a study described in the text box on this page, single mother families face an especially high risk of financial insecurity and instability around the time of a birth, and PFL programs as they are structured today may not be sufficient to protect them from economic deprivation immediately after a birth.<sup>5</sup> Research has found that low-income, less-educated, African American

and Hispanic women are much less likely to know about and enroll in PFL programs than their more advantaged peers, so it is possible that improving take-up of PFL would increase the economic security of vulnerable single-mother families during the period around a birth.

Unlike PFL programs that provide paid leave for caregiving purposes, state TDI programs provide payment (generally half to two-thirds of pre-leave earnings) for leave due to a disability, including pregnancy and recovery from childbirth. TDI programs provide 6 to 12 weeks of leave for a normal birth. There has been little research examining the effects of TDI on mothers' employment and income around the time of a birth. Early studies found that women who lived in states that offered TDI were more likely to take maternity leave, tended to take longer leaves, and had a high probability (85 percent) of returning to their pre-birth employer after taking leave supported by the program.<sup>6</sup> Research on the joint effects of TDI, PFL, and the FMLA have generally found that these leave programs increased the amount of leave that mothers took after a birth, and strengthened their attachment to the labor force, although the effects on leave length were larger for college-educated and married women than for single mothers.<sup>7</sup>

## **TANF and low-income women with infants**

Since the implementation of welfare reform in 1997, research has focused on the relationship between TANF and participants' employment and income outcomes, with much less attention paid to whether TANF protects families against economic deprivation around the time of a birth. About 15 percent of the total TANF caseload is made up of women who are pregnant or have infants, representing about a quarter million of the poorest families.<sup>8</sup> Past research suggests that single mothers often rely on TANF after the birth of a child, and that the level of TANF generosity during this period—specifically, work exemptions—has an effect on post-birth employment. For example, one study found that mothers in states that did not provide exemptions from TANF work requirements in order to care for young children were significantly more likely to work full-time in the year following a birth than those in states that did provide such exemptions.<sup>9</sup> In another study using data from Wisconsin, Marci Ybarra found that a majority of women on TANF with infants worked prior to TANF enrollment, and returned to work once their exemption from work requirements ended.<sup>10</sup> Depending on state rules, mothers of young children may be eligible to receive both TANF and paid leave benefits.

## **How does paid leave and TANF generosity affect welfare participation and material hardship around a birth?**

Family well-being can be assessed not just with income-based measures, but also with measures of material hardship such as the ability of families to meet basic needs, including

essential expenses, housing, and utilities. Past research has shown that paid leave can contribute to the economic well-being of single mothers around the time of a birth while also reducing state costs by decreasing TANF use.<sup>11</sup> However, as noted above, recent research suggests that even with public and private supports, single-mother families still may have trouble making ends meet in the period immediately before and after a birth.<sup>12</sup> Our study expands on previous work by addressing the following three research questions:

1. Which low-income single mothers use TANF and report material hardship following a birth?
2. Are paid leave programs associated with decreases in TANF use after controlling for TANF generosity across states?
3. What is the relationship between paid leave availability, state TANF policies, and the likelihood that low-income single mothers experience material hardship in the year following a birth?

To address these questions, we use data from the 1996 to 2008 panels of the Survey of Income and Program Participation, a nationally representative household-based survey conducted by the U.S. Census Bureau to collect monthly, longitudinal data on employment and income, participation in income transfer programs, and other factors related to economic well-being. We limit our sample to single mothers with pre-birth family income at or below 200 percent of the federal poverty threshold. The sample includes births between 1997 and 2011, so some mothers in the sample had access to California's PFL program, which began in 2004, and a smaller number had access to New Jersey's program beginning in 2009.

### **1. Which low-income single mothers use TANF and report material hardship following a birth?**

We find that just over a quarter of low-income single mothers of infants report TANF participation in the three months immediately following a birth. In the year following a birth, TANF participation is slightly higher, 30 percent. Low-income single mothers who participate in TANF following a birth are more disadvantaged than those who do not report post-birth TANF income. They are on average younger, more likely to be black, have lower levels of education and pre-birth employment, and live in households with fewer other adults, but more children.

Over two-fifths of low-income single mothers report that they were unable to meet essential expenses in the year following a birth. About one-fifth did not pay their rent or mortgage, and about a third did not pay a utility bill. Mothers with lower levels of pre-birth employment and more children in their household are more likely to have experienced material hardship in the year following a birth.

**Table 1**  
**Summary of Associations Between State Paid Leave Policies, TANF Generosity, and TANF Use**

State Paid Leave and TANF Policies	Post-Birth TANF Use	
	Immediately Following Birth	One Year After Birth
State offers temporary disability insurance (TDI)	No significant effect	Lower likelihood of using TANF ***
State offers paid family leave (PFL)	No significant effect	No significant effect
Longer exemption from TANF work requirements for mothers of infants	No significant effect	No significant effect
Higher TANF benefit level	Higher likelihood of using TANF ***	Higher likelihood of using TANF ***
Higher earnings allowed for TANF eligibility	Higher likelihood of using TANF ***	Higher likelihood of using TANF **
Higher TANF hassle factor	No significant effect	Higher likelihood of using TANF *

**Notes:** Analyses are weighted using Survey of Income and Program Participation person weights and include individual and household controls, a year fixed effect, and state-level variables including paid leave and TANF policies. \* Significant at the 10% level; \*\* significant at the 5% level; \*\*\* significant at the 1% level.

## 2. Are paid leave programs associated with decreases in TANF use after controlling for TANF generosity?

Table 1 summarizes the associations between TANF use after a birth and state paid leave and TANF policies. After controlling for TANF generosity across states, low-income single mothers who live in a state that offers TDI are significantly less likely than those living in a state without TDI to participate in TANF in the year following a birth, although there is no significant difference between these two groups in TANF use immediately after a birth. In contrast, those living in a state that offers PFL are not significantly more likely than those in a state without PFL to participate in TANF either immediately after a birth or in the year following a birth, after controlling for state-level TANF generosity. The length of exemption from TANF work requirements for mothers of infants (a policy that specifically applies to new parent families) is not significantly related to the likelihood of TANF use following a birth. We do find, however, that both higher TANF benefit amounts and higher levels of earned income permitted while receiving benefits are strongly associated with an increase in the likelihood that low-income single mothers with infants receive TANF both immediately after a birth and in the following year. We also find that a higher hurdle in terms of the documentation requirements in applying for and maintaining TANF benefits is associated with a greater likelihood of receiving TANF in the year after a birth. It may be that some states with higher TANF benefit levels also have relatively onerous documentation requirements (as does California), which may result in more families applying for and receiving TANF in spite of the administrative burden.

## 3. What is the relationship between the availability of paid leave, state TANF policies, and material hardship?

As shown in Table 2, we find inconsistent relationships between paid leave, including both TDI and PFL programs, and material hardship following a birth. For instance, TDI is associated with a significant increase in the probability of meeting essential expenses, but also with a decrease in

the ability to pay housing costs (rent or a mortgage). The availability of PFL is associated with a significant decrease in the ability to meet essential expenses, but is not significantly related to the ability to pay housing costs or utilities.

While it may run contrary to expectations for the availability of paid leave to be associated with a greater incidence in some measures of material hardship following a birth, there are three potential explanations that may account for these results. First, a large share of the mothers in our sample with access to paid leave are from California, which has the lowest work and earnings eligibility thresholds for PFL and TDI of all state paid leave programs (\$300 in earnings in the year prior to birth without hourly or job tenure requirements). California also has the lowest minimum payment of \$50 per week. It may be that a substantial share of the low-income single mothers in our sample participate in paid leave programs but receive relatively low payment amounts, or that mothers who participate in paid leave in California are more disadvantaged than those in other states. It could also be the case that part of the relationship between PFL and material hardship reflects low rates of participation in PFL in California among low-income women, while take-up is less of an issue with TDI. Second, this finding could be in keeping with the recent evidence that PFL in California has resulted in a higher likelihood and longer duration of unemployment spells among young women.<sup>13</sup> Thus while California's policy has improved labor force attachment, the availability of paid leave for these mothers may not decrease material hardship in the period following a birth. Third, some mothers may receive paid leave instead of other means-tested programs, which together could have provided more support than paid leave depending on the level of paid leave payments a mother qualified for based on her work history.

Overall, we find that state TANF policies do not have particularly consistent or strong relationships with the likelihood of post-birth material hardship. However, as shown in Table 2, there is some evidence that TANF generosity—specifically, longer work exemptions, higher

**Table 2**  
**Summary of Associations Between State Paid Leave Policies, TANF Generosity, and Material Hardship in the Year Following a Birth**

State Paid Leave and TANF Policies	Ability to Meet Essential Expenses	Ability to Pay Housing Costs (rent or mortgage)	Ability to Pay Utilities
State offers temporary disability insurance (TDI)	Increase in ability to pay***	Decrease in ability to pay*	Increase in ability to pay*
State offers paid family leave (PFL)	Decrease in ability to pay**	No significant effect	No significant effect
Longer exemption from TANF work requirements for mothers of infants	Increase in ability to pay*	No significant effect	Increase in ability to pay**
Higher TANF benefit level	No significant effect	Increase in ability to pay*	No significant effect
Higher earnings allowed for TANF eligibility	No significant effect	No significant effect	Increase in ability to pay***
Higher TANF hassle factor	No significant effect	No significant effect	Increase in ability to pay**

**Notes:** Analyses are weighted using Survey of Income and Program Participation person weights and include individual and household controls, a year fixed effect, and state-level variables including paid leave and TANF policies. \* Significant at the 10% level; \*\* significant at the 5% level; \*\*\* significant at the 1% level.

earnings allowances for eligibility, and fewer hassle factors—is associated with increases in the ability to pay for utilities in the year following a birth. We also find that longer work exemptions are associated with an increase in the ability to meet essential expenses, and higher monthly TANF benefits are associated with an increased ability to pay for housing.

### Implications for policy and future research

This study shows how state-level paid leave availability and TANF generosity help explain the likelihood of TANF use and of experiencing material hardship among low-income single mothers following a birth. More specifically, we investigated the extent to which TANF generosity and paid leave access influenced post-birth TANF participation within three months and one year of a birth, and material hardship in the year following a birth.

We find that post-birth material hardship (after accounting for TANF generosity) is most common among less advantaged families. However, evidence about the relationship between paid leave and material hardship is less clear, as some measures of hardship decreased while others increased. These mixed findings could be explained by characteristics of the California PFL program, by low take-up of paid leave by low-income women, or by whether mothers chose to substitute or combine paid leave and means-tested benefits. Future research should consider a comprehensive set of available safety net programs around the time of a birth, together with paid leave availability, in order to provide more effectively for family well-being. Research has shown that knowledge of the availability of PFL programs among single mothers is limited; as awareness and use grows, the effects of these programs on the material well-being of low-income single mothers and their families may increase.<sup>14</sup>

While we did not find a strong connection between state TANF policies and the risk of material hardship following a birth, we did find that TANF generosity, in the form of longer exemptions from work requirements, higher earnings allowances for eligibility, and a more streamlined application

process, was significantly associated with increases in the ability to pay for utilities in the year after a birth. These findings show the role that TANF generosity may play in reducing material hardship among low-income single mothers. In addition, our findings illustrate the importance of accounting for TANF generosity when examining the relationship between the availability of paid leave and TANF participation, and the possible effects of paid leave on family well-being.

For low-income single mothers in the year following a birth, both paid leave and TANF can help protect against material hardship. To build on these findings, future work could revisit earlier findings linking paid leave availability and reductions in mothers’ post-birth public benefit use, in light of state variations in TANF generosity.<sup>15</sup> It would also be useful to learn more about the timing of TANF use by low-income single mothers around a birth. TANF use during the first few months following a birth may suggest that low-income single mothers are participating in TANF rather than paid leave, or perhaps using both programs. TANF use later in the year following a birth could indicate difficulties with obtaining employment. At this time, we have little information on how low-income single mothers make decisions about enrolling in, or perhaps combining, TANF and paid leave around a birth, although evidence suggests that many low-income single women with infants are unaware of the availability of paid leave programs.<sup>16</sup> More information on this decision-making process could help policymakers design effective interventions to support low-income single mothers and their children. ■

<sup>14</sup>This article draws from a working paper: M. Ybarra, A. Stanczyk, and Y. Ha, “The Roles of Paid Leave and TANF Generosity in Welfare Participation and Material Hardship around a Birth,” 2018.

<sup>15</sup>J. A. Klerman, K. Daley, and A. Pozniak, “Family and Medical Leave in 2012: Technical Report,” U.S. Department of Labor, Washington, DC, 2013; K. R. Phillips, *Getting Time Off: Access to Leave among Working Parents*, Washington, DC: Urban Institute, 2004.

<sup>16</sup>M. Rossin-Slater, C. J. Ruhm, and J. Waldfogel, “The Effects of California’s Paid Family Leave Program on Mothers’ Leave Taking and Subsequent

Labor Market Outcomes,” *Journal of Policy Analysis and Management* 32, No. 2 (2013): 224–245.

<sup>4</sup>C. L. Baum and C. J. Ruhm, “The Effects of Paid Family Leave in California on Labor Market Outcomes,” *Journal of Policy Analysis and Management* 35, No. 2 (2016): 333–356.

<sup>5</sup>A. Stanczyk, “Paid Family Leave, Household Economic Wellbeing, and Financial Resources around a Birth,” doctoral dissertation, University of Chicago School of Social Service Administration, 2016.

<sup>6</sup>K. Wever, *The Family and Medical Leave Act: Assessing Temporary Wage Replacement for Family and Medical Leave*, Cambridge, MA: Radcliffe Public Policy Institute, 1996; J. T. Bond et al., *Beyond the Parental Leave Debate: The Impact of Laws in Four States*, Food and Agriculture Organization of the United Nations, 1991.

<sup>7</sup>E. Washbrook, C. J. Ruhm, C. J., J. Waldfogel, and W. J. Han, “Public Policies, Women’s Employment after Childbearing, and Child Well-Being,” *The B.E. Journal of Economic Analysis & Policy*, 11 (2011): 1–48; DOI: 10.2202/1935-1682.2938.

<sup>8</sup>E. Lower-Basch, and S. Schmit, *TANF and the First Year of Life*, Washington, DC: Center for Law and Social Policy, 2015.

<sup>9</sup>H. D. Hill, “Welfare as Maternity Leave? Exemptions from Welfare Work Requirements and Maternal Employment,” *Social Service Review*, 86, No. 1 (2012): 37; DOI:10.1086/665618.

<sup>10</sup>M. Ybarra, “Implications of Paid Family Leave for Welfare Participants,” *Social Work Research*, 37–67 (2013): 375–387.

<sup>11</sup>L. Houser and T. Vartanian. *Policy Matters: Public Policy, Paid Leave for New Parents, and Economic Security for U.S. Workers*, Center for Women and Work at Rutgers, the State University of New Jersey, 2012.

<sup>12</sup>See, for example, Stanczyk, “Paid Family Leave, Household Economic Wellbeing, and Financial Resources around a Birth”; Ybarra, “Implications of Paid Family Leave for Welfare Participants.”

<sup>13</sup>T. Das and S. W. Polachek, “Unanticipated Effects of California’s Paid Family Leave Program,” *Contemporary Economic Policy*, 33, No. 4 (2015): 619–635.

<sup>14</sup>L. Houser and K. White, *Awareness of New Jersey’s Family Leave Insurance Program Is Low, even as Public Support Remains High and Need Persists*, issue brief, Center for Women and Work at Rutgers, the State University of New Jersey, 2012.

<sup>15</sup>See, for example, Houser and Vartanian, *Policy Matters*.

<sup>16</sup>E. Appelbaum and R. Milkman, *Awareness of California’s Paid Family Leave Program Remains Limited, Especially among Those Who Would Benefit from It Most: New Results from the September 2011 Field Poll*, Washington, DC: Center for Economic and Policy Research and the Murphy Institute at the City University of New York, 2011.